

Mayors' Strategic Advisory Committee

San Francisco

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EXECUTIVE SUMMARY

Task Force on Long Term Cost & Revenue Trends

July 1992



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Dear Mayor Jordan:

This report presents a summary of the findings of the MFAC Task Force on Long-Term Cost and Revenue Trends for San Francisco. We hope that the data and policy options reviewed in this report are helpful as you develop your own long-term program to re-balance the City's fiscal priorities while maintaining the special quality of life we enjoy in San Francisco.

The Task Force included 73 private sector executives and managers from Bay-Area firms, as well as senior level managers from the Controller's department, the Mayor's budget office, the CAO's office and Civil Service. This summary of their work presents over 50 policy options for your consideration.

The nine MFAC teams have worked for over a year, interviewing department heads and managers in 25 major City departments, and reviewing their cost and revenue data for FY 1987-91. Working with the departments, they also selected 17 peer cities and counties for comparison purposes. The teams compared San Francisco's financial, staffing and workload data with data obtained from these peers or from federal and state reports.

The teams have focused on policy options for specific departments. Some options would require added funds - such as for revenue-producing activities or for automating operations to make them more cost-effective.

Other options could provide increased revenues or cost savings to fund other critical programs or to eliminate budget deficits. The teams have discussed these options and their reports with the departments involved.

This summary also presents policy options for dealing with certain City-wide issues: financial systems and controls, planning, productivity and personnel management.

We recognize that you may decide to implement some of the options discussed and decide not to pursue others. Accordingly, we are presenting an extensive list of possible alternatives for helping the City raise revenues and provide services more cost-effectively. Many of these ideas were suggested initially by managers in City departments.

The total savings from these options will, of course, depend on which ones are implemented. Some would take several years to reach the annual savings levels estimated in the report. Such savings, together with your spending plan for fiscal 1993, could allow the City to balance budgets in later years without resorting to extreme measures. Alternatively, if the City reverts to its 1987-91 growth rate in spending, we could be facing deficits well over \$200 million by 1996.

We look forward to assisting you with further work on the policy options you select and with work on other projects.

Very truly yours,



Jack Jenkins-Stark, Chairman,
Mayor's Fiscal Advisory Committee

Task Force Management Group

Task Force Co-Chairs:

Dick Daniel, Executive Vice President, Bank of America
Tom Cusack, Vice President, Transamerica Corporation
Lee Munson, President, A. L. Munson & Co.

Administration Team:

Gwenn Hardin, Executive Director, MFAC

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6. **Social Services**: Ed Burdett, Vice President, Goldman Sachs & Co.
7. **Culture & Recreation**: Mike Riley, Regional Vice President, Union Bank; Clark Warden, Senior Vice President, Sumitomo Bank of California; Charles Stamm, National Director, Food Industry Services, Deloitte & Touche.
8. **Administrative Services**: Roy Nordman, retired Partner, Coopers & Lybrand.

City & County Resource Team

Rudy Nothenberg, Chief Administrative Officer; Ed Harrington, Controller; John Madden, Assistant Controller; Peter Goldstein, Ann Jenkins, Mayor's Budget Office; Larry Garcia, Civil Service; Sally Kipper, Social Services; Fred Weiner, CAO's office.

And our special thanks to Sam Yockey, former Deputy Mayor, Budget Director and Controller.

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Overview of Fiscal Years 1987-1991

During the past five years, rapid growth in tax revenues and government subsidies allowed rapid growth in costs of services delivered, with little increase in fees charged to service users.

City & County of San Francisco Revenues and Expenses General, Special and Enterprise Funds

	Fiscal 1991 (\$ Millions)	1987-1991 Growth/Year
Tax Revenues	\$ 917	8%
Federal & State Govt Subsidies	548	9%
Subtotal	1,465	8%
Operating Expenses	(2,315)	6%
User Revenues & Charges	893	4%
Net Operating Deficit	(1,422)	8%
Net Surplus after Taxes and Govt Subsidies	43	
Capital Outlays and Net Interest Expense	(53)	
Decrease in Fund Balances and Enterprise Dept		
Retained Earnings	(10)	

- A continuation of current expense trends will produce a structural budget deficit in San Francisco.

- The MFAC Tax Revenue team expects that tax revenues will grow at only 6.2% annually over the five fiscal years 1992-1996.
- State and federal funding for San Francisco's services is expected to slow dramatically.
- Without concerted action to both reduce expense growth and increase fees/charges for services, a structural deficit will develop, and will grow larger in future years.

- A Structural Deficit Scenario:

- If growth in tax revenues slows to 6%/year, while growth in federal and state funding slows to 4%
- If there is no increase in the 4%/year growth in operating revenues from users of services
- If operating expenditures continue to grow at 6 %
- Then, annual budget deficits grow to \$200 million or more by 1996.

George G. Gutfreund, San Francisco
Projected
Revenue
Expenditure
Budget Deficit
(\$ in Millions)
1992 1993 1994 1995 1996

- Total City and County expenses grew at 6% per year during the 1987-91 period - versus inflation of 4.6%.

- Net costs to taxpayers grew at 8%, after allowing for revenues from users and government subsidies.

**City & County of San Francisco
Expenses, All Government and Enterprise Funds**

	Total Expenses, Before Revenues & Gov't Subsidies		Net Cost* After Revenues & Subsidies 4 Year Growth Rate
	1991	4 Year Growth Rate	
	\$MM		
Health, Hospitals	519	10%	16%
Public Protection	473	4%	4%
Transportation	437	6%	6%
Public Works	310	5%	3%
Social Services	306	8%	7%
Admin/Finance	148	6%	6%
Culture/Recreation	122	6%	6%
Total	\$2,315	6%	8%

Source: S.F. Consolidated Annual Financial Reports. Special City Controller's Report on Revenues by Function.

* Net cost represents the net cost to the City's taxpayers, after deducting operating revenues, Federal and State grants and subventions from total expenses.

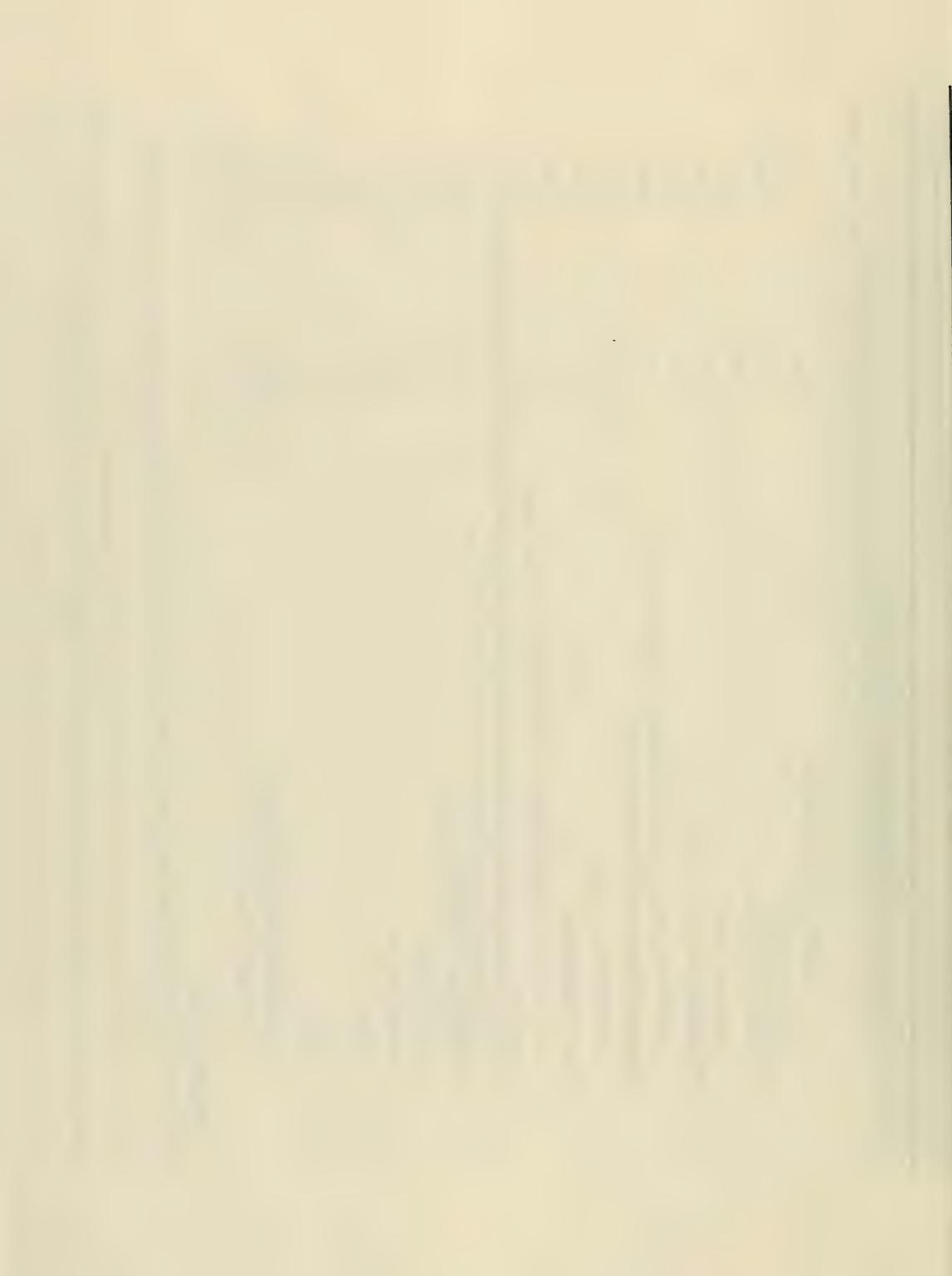
- There is an average growth rate of 6.4%/year in net costs for the 17 departments with net costs over \$10 million in 1991.

Departments with over \$10 Million/Year In Net Costs*	1991 Net Costs* In \$ Millions	Annual Growth 1987-1991
Police	195	2.6%
Fire	152	4.5%
Muni	122	4.6%
Social Services	84	11.2%
SF General	77	15.4%
Community Mental Health	44	(1.6%)
Public Health, Central Office (Includes AIDS programs)	34	30.9%
Sheriff	30	7.7%
General City Responsibility (Includes Retiree Health Benefits)	21	1.8%
Public Library	19	4.1%
Recreation & Parks	18	1.8%
Muni Court	18	9.5%
Parking & Traffic (New commission created in 1991)	16	N/A
Controller	15	5.1%
Juvenile Court	15	3.4%
District Attorney	14	5.4%
Superior Court	13	13.9%
Subtotal, 17 Departments	887	6.4%

* Net Cost to local taxpayers, based on total expenses, minus state & federal funding and user charges.

Common Themes of Departmental Reviews

- "Rich" Service Mix
- Relatively Low User Charges
- Delivery Mechanism Relatively Costly
- Few "Simple Fixes"
- To lower service costs and maintain service levels will require changes for Users/Recipients and Providers (City Workers)



Peer City/County Comparisons

- The Special Projects team studied revenues and expenses of 17 city/county areas in the U.S. to evaluate major differences.

- To make the data comparable, data for cities and counties was combined to create "synthetic" city/county structures. Data sources used: 1989 U.S. Census data, 1990 California Department of Finance data. Tax data reflects tax revenues, not specific tax rates, and excludes special district data.
- For these peer comparisons, per capita data was computed to normalize for differences in population. Such per capita data is only one indicator, however. Local geographic, economic and demographic differences exist which may affect these peer city/county comparisons.
- In this report, we will refer to the gross costs of a particular department as "expenses". After deducting revenues from users, state funding and federal funding, we will refer to "net costs" or the cost to taxpayers, meaning San Francisco tax payers.

- The city/county areas studied were:

<u>California (7)</u>	<u>Other U.S. (11)</u>
San Francisco	New York
Los Angeles	Philadelphia
Alameda	Portland
Sacramento	Washington DC
San Diego	
San Jose	
Orange	

Peer City/County Data - Tax Revenues Per Capita

- San Francisco had the third highest level of tax revenues per capita in the group of peer cities studied*.

Tax Revenue Per Capita
FY 1989

	Tax Per Capita	Tax Per Capita
New York	\$1,974	Los Angeles
Atlanta	1,124	Denver
<u>San Francisco</u>	<u>1,100</u>	San Jose
Boston	953	Portland
Philadelphia	923	Sacramento
Miami	811	Dallas
Baltimore	807	Chicago
Oakland	743	San Diego

* Washington DC was excluded from this comparison because of its special level of federal funding. Its tax revenue per capita was \$3,636 in 1989.

Peer City/County Data - Health Services / Hospitals

- San Francisco's net costs for health care were 19% of total tax revenue in 1989. By 1991, the net costs paid by SF taxpayers had risen to 23% of local taxes -- higher than any city studied.

Net Cost, as % of Total Local Taxes -- Revenue to Expense Ratios

City	FY 1989			Net Cost as % of Taxes*	Revenue as % of Expenses	Net Cost as % of Taxes*	Revenue as % of Expenses
	Net Cost as % of Taxes*	Revenue as % of Expenses	City				
Boston	22	36	Sacramento	11	49	11	49
San Francisco	19	58	Atlanta	11	16	10	43
Denver	18	45	San Diego	10	43	10	51
Washington DC	15	15	Oakland	10	51	7	60
New York	14	34	Portland	7	60	5	65
Dallas	14	39	Philadelphia	3	59	3	59
San Jose	14	48	Baltimore	1	97	Miami	
Los Angeles	13	0					
Chicago	12	22					

* Includes AIDS funding but may not include all special district health funding.

Peer City/County Data - Social Services

- San Francisco also spends more per capita than most cities studied for social services.

Large California City/Counties Social Services Expense Dollars Per Capita - 1990

Selected U. S. City/Counties Social Services Expense Dollars Per Capita - 1989

Sacramento	409	Washington DC	1,376
San Francisco	372	New York NY	977
Los Angeles	346	San Francisco	337
Alameda	268	Denver	226
Santa Clara	268	Philadelphia	193
San Diego	246	Miami	150
Orange	194	Boston	138

Peer City/County Data - Judicial / Legal Administration

- San Francisco had the second highest per capita costs of the seventeen U.S. city/counties studied for judicial and legal administration services.

Judicial & Legal Administrative Expense
Dollars Per Capita - 1989

Washington DC	181	Miami	55
San Francisco	<u>97</u>	Dallas	52
Philadelphia	87	Chicago	47
Oakland	86	New York	45
Los Angeles	82	Denver	43
Sacramento	77	Baltimore	35
Atlanta	71	Portland	29
San Diego	71	Boston	10
San Jose	68		

Peer City/County Data - Fees for Selected Services

- Peer data indicates that San Francisco has not collected as much fee revenue per capita as peer cities for certain types of services.

Fees Per Capita - 1990

In Dollars

	<u>Police Service Fees</u>	<u>Construction Permits & Engineering Fees</u>	<u>Zoning Fees</u>
Los Angeles	15	Sacramento	47
Orange	10	San Diego	34
San Diego	9	Los Angeles	20
Santa Clara	7	Orange	20
Alameda	5	Alameda	20
Sacramento	5	Santa Clara	17
San Francisco	1	San Francisco	13
		San Diego	17
		Los Angeles	4
		Santa Clara	4
		Alameda	3
		Orange	3
		Sacramento	2
		San Francisco	8

Overview - Findings

1. San Francisco faces some hard decisions to get the structural deficit under control.

- Steps to cut waste and inefficiency will not be enough to eliminate the deficits.
- San Francisco already collects the highest level of taxes per capita in California, and collects more than most U.S. cities/counties studied.
- Given their present deficits, funding from State and Federal sources will grow too slowly to fill the gap.
- Therefore, some re-balancing of the City's financial priorities is inevitable.

2. The City's service level priorities, particularly for health services and Muni service, are major contributors to the deficit problem.

- San Francisco's decision to devote a larger share of its budget to health services than any other city/county, combined with the rapid rate of growth in net taxpayer costs (16%/year) produces the single largest risk of future structural budget deficits.
- Muni's service levels and fare structure, which cost taxpayers \$122 million in 1991, also contribute significantly to the risk of future structural deficits.

3. A number of system-wide operating problems in San Francisco also appear to be contributing to the deficit problem. These include:

- High-cost, salary formulas with automatic annual salary increases
- Expensive current practices for overtime pay, premium pay and worker's compensation claims
- A budget process where some departmental "deficits" reflect a "wish list", rather than a growth rate based on the prior year
- Lack of an effective monthly or quarterly financial "report card" for department managers
- Very complex fund accounting, with "off-budget" reserves and expenses
- Lack of productivity tools for managers
- Unmet needs for automation and computer systems
- The City's complex organization structure

Overview - Policy Options

1. Consider requiring department managers to slow the growth rate of net taxpayer costs. This could include:
 - Giving special attention to cost-containment programs for large-deficit programs such as Health/Hospital services, Muni, Social Services
 - Reducing growth of net taxpayer costs in other areas to less than the inflation rate
 - Starting to use, and to report publicly, measures of service levels and net taxpayer cost of services
2. Consider setting fixed levels for General Fund subsidies in some programs. Then, allow managers to manage staffing, fees and service levels to operate within that subsidy.
 - Consider allowing managers to increase expenses if revenue growth would exceed the added costs.
3. Consider increasing user fees and charges to peer or market levels for City/County services, efficiently delivered.
4. Consider giving managers productivity tools and asking them to improve productivity. These tools could include:
 - Setting clearer goals for managers - possibly by using Management-By-Objectives
 - Using new performance appraisal systems for managers and employees, stressing productivity
 - Revising current rules to recognize higher levels of employee productivity in promotion decisions
 - Using new financial and operating reports to help managers track results

Overview - Policy Options (Continued)

5. Consider asking the Controller and Budget Director to develop quarterly management reports showing performance trends, actual expenses and budgets for each department in 5 key areas:
 - Service level and workload measures
 - Full-time-equivalent staffing
 - Cost of service before revenue recoveries
 - Revenue recoveries
 - Net taxpayer cost of service

Longer Term Steps

1. Consider using a long-range planning process to set multi-year priorities for departments.
2. Consider a review process for evaluating and managing any service level changes:
 - Reviewing areas where cost or service levels are substantially above or below peer city levels
 - Evaluating impact of changing service levels to peer levels
 - Evaluating what steps would be needed to assist people affected by proposed service changes

3. Consider developing policies to encourage the growth of San Francisco's tax base, such as:

- Policies aimed at improving the City's economic vitality
- Policies aimed at increasing business growth and attracting new employers
- Policies that increase the value of taxable residential and commercial property

4. Consider organizing a joint study with employee organizations of alternatives to the City's present salary formulas.

5. Consider requesting an outside study of the City's organization structure and possible alternatives.

Economic Outlook & Tax Revenue Forecast for 1992-1996

- A forecast based on the City's present policies shows very slow economic growth for San Francisco over the next five fiscal years.* As a result, future tax revenues are expected to grow more slowly.
 - The number of jobs could grow less than 1% per year.
 - Population, which was 727,000 in 1991, could remain flat through 1996.
- Reflecting the slow economic growth, the City's total tax revenues are expected to grow at only 6.2% per year, versus 8% per year during 1987-91.
 - By 1996, the slower growth rate could cost the City about \$120 million per year in tax revenues.
 - Tax revenues are forecast to grow 2.5% faster than inflation, forecast at 3.7%.
 - Taxes are likely to grow faster than inflation from turnover of real property, new assessments on property improvements and new equipment installed by businesses.
- If taxes grow faster than the City's economy, there would be a tighter squeeze on existing property owners and businesses.
- The State of California, overall, is expected to grow more rapidly. Forecasts show the number of jobs growing at 2.2% per year, and the state's population growing from 1.2% to 1.8% per year.*

* Source: Data Resources Inc. and MFAC data

Tax Revenues - Findings

- San Francisco appears to have a very high level of tax revenues compared to other U.S. or California cities and counties.
- SF collects more taxes per capita than any other major city/county in California.
 - 56% more than Los Angeles; 90% more than the average large city/county in the state
- SF collects more taxes per capita than almost any other major US or California city/county studied, ranking #3 out of 16 peers studied, after New York and Atlanta.
- Property taxes account for 53% of all SF tax revenues and, on a per capita basis, are higher than any major California city/county. This reflects the high value of commercial and residential properties.
 - Property taxes - over \$600 per resident - are 70% higher than Los Angeles and twice as high as the average large city or county in California.
- SF's reliance on business taxes, excluding sales taxes, is higher than any other major US city/county studied.
 - SF collects \$280 in business-related taxes per resident, versus an average of \$80 per resident for 16 other major US and California city/county areas studied.
- SF's reliance on sales taxes is near the average for other US city/counties, but relatively high in California.

Tax Revenues - Policy Options

- **To increase tax revenues, consider adopting long-term strategies that increase the tax base.**
 - Encouraging the development of new, taxable residential housing; some studies suggest that the City would add 2 new jobs for every 3 new residents
 - Developing a quicker, more flexible planning process to encourage new employers and to avoid loss of premium wage jobs to other communities
 - Simplifying the planning code
 - Encouraging long-term land use studies of the City's few remaining undeveloped land areas; examining options for the Port of San Francisco that would increase the City's tax base
- **Consider automating the operations of the Assessor's office and providing adequate professional staff, to allow for in-depth analysis of more properties when they change owners.**
 - Example: automating the access to data in the Bureau of Building Inspection on building renovations and on new equipment installed in buildings
- **Simplifying the business tax structure**
 - Taking steps to simplify taxes on businesses would have a positive impact. It would help retain existing employers and attract new employers.

Muni Railway - Findings

1. **Muni provides three times as much bus service per capita as the average peer system studied.**
 - The bus systems studied included New York City, Boston, Philadelphia, Washington DC, Houston, Seattle, AC Transit and Los Angeles.
 - Muni provided 4.5 vehicle revenue hours/capita versus an average of 1.4 hours for the peers studied.
 - Muni provided twice as much service as New York - which was second in service levels.
2. **Muni's operating expenses per vehicle hour appear to be in line with the peers studied, although some systems had lower costs.**
 - Philadelphia, Houston and AC Transit all had lower operating costs per vehicle hour.
 - Muni drivers' compensation is among the highest in the nation - a compensation structure built into the City Charter.
3. **As a result of Muni's very high service levels and infrequent fare increases, its operating deficit has grown considerably.**
 - In 1991, the deficit was \$122 million, after allowing for all federal and state funding and all passenger revenues, compared to \$102 Million in 1987 and \$59 Million in 1982.
 - In percentage terms, Muni riders paid about 29% of the 1991 cost; federal and state funds paid 26% and taxpayers paid the remaining 43% - a subsidy to Muni equal to \$172 per resident.
4. **Proposals from Muni management to raise fares or cut service levels have been turned down by the PUC or the Board of Supervisors in recent years.**

Muni Railway - Policy Options

1. Consider selected revenue increases to reduce the Muni deficit subsidized by taxpayers, such as:

- A new, premium fare for express service. Using \$1.25 per trip, \$40 per month, would add \$4 MM/yr to revenue.
- Higher youth and senior fares. Using 40 cents per ride, \$10 per month, would add \$5 MM/yr.
- Using special property benefits assessments in transit-dependent commercial areas (\$15 MM)
- Assessing transit impact fees for residential and commercial developments (\$3 MM)
- Raising bridge tolls on the South Bay to \$2 (\$5 MM)

2. In the budgeting process, consider setting a specific subsidy level which the City agrees to provide to Muni from tax revenues. Then, let Muni management make the operating decisions needed to live within that subsidy.

- This would allow Muni management more flexibility to make service reductions, fare adjustments and personnel decisions to obtain savings.

3. Consider charter amendments and MOU changes to reduce Muni's high compensation costs.

Consider changes to:

- The linkage of Muni driver pay to the two highest paid US transit systems. Savings of \$11 MM could result from using the average pay levels of the five Bay Area counties.
- The taxpayer-financed trust fund which now gives Muni drivers special employee benefits not received by most City employees. Savings of up to \$2 MM could result if Muni benefits were the same as benefits of other City employees.
- Lengthen the 36 month pay progression (\$2 MM)

4. Consider implementing an effective proof of payment system for passengers.

MUNI RAILWAY

SUMMARY OF POLICY OPTIONS

a = approval needed

	FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)					ACTION REQUIRED	
	REVENUE ENHANCEMENTS	SERVICE CUTS	EFFICIENCY CHG PROCESS, ORGANIZATION	SYSTEMS INVESTMENT	OTHER	LABOR, MOU CHANGES	
	DEPT OR COMMISSION	DEPT OR COMMISSION	MAJOR	BD OF SUP. ENVIRONS	CHARTER CHANGE	STATE & FEDERAL ACTION	
1. Raise revenues to peer levels							
A. Set a Premium Express fare \$1.25 per trip, \$40 per Month	4						
B. Raise Youth/Senior Fare to \$10 per trip, \$10 per month	5						
C. Add property tax assessments for transit services in transit-dependent commercial areas	15						
D. Add transit Impact fees for residential/commercial developments	3						
E. Raise South Bay bridge tolls	5						
2. Service Reduction							
Selective cuts - 2% of costs	4						
3. Amend Charter, MOUs							
A. End linkage of pay to two highest paid transit systems in USA	11						
B. Implement effective proof of payment system	2						
C. Eliminate trust fund. Pay same benefits paid to other employees	2						
D. Extend 36 month pay progression	2						
TOTAL	32	4	17	15	2	16	5

Health & Hospitals - Findings

- San Francisco now spends 23 cents of every local tax dollar on health/hospital services. This is more than any other large U. S. city/county studied, and twice the average of all U. S. cities/counties.
- Net costs to local taxpayers for health/hospital service have been growing at 16% per year over the past four years.

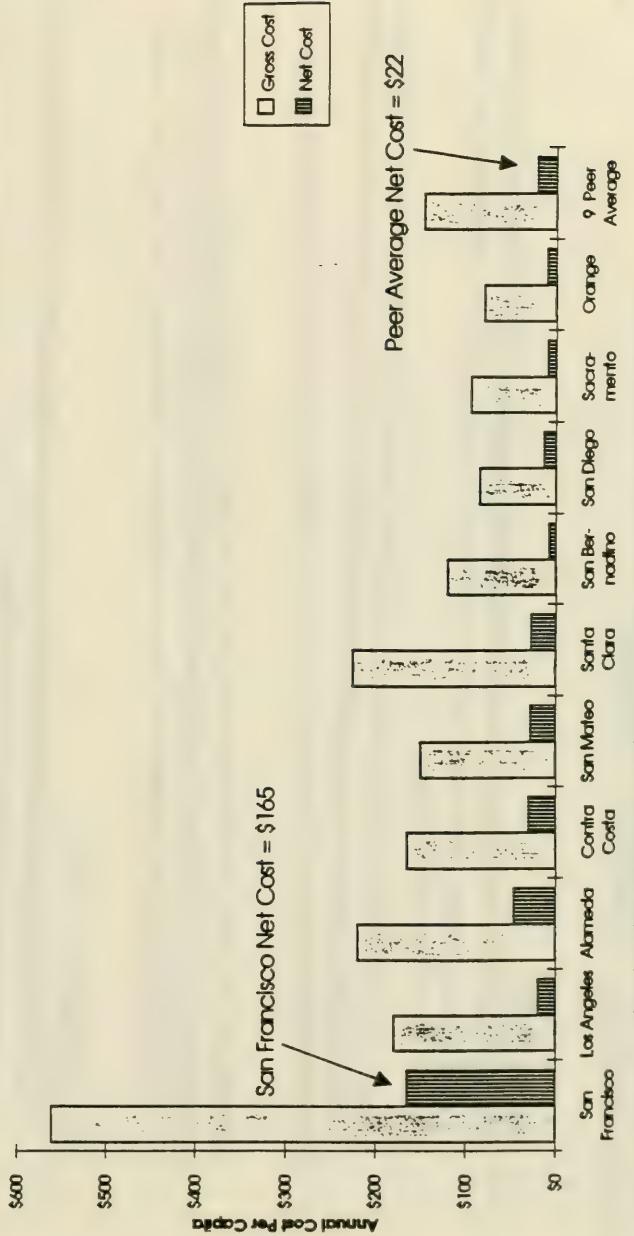
- As the graph on the facing page indicates, San Francisco's net costs per capita for health services (\$165) are higher than the average gross costs (\$147) of the nine peer California counties studied.
 - The average net costs per capita for the nine counties was \$22.
- While San Francisco's demographic base is weighted toward those needing City/county health services, we have made a policy of providing more service, even if those demographics are taken into account. Examples: special clinics such as dermatology, and higher staffing ratios.

SOME FACTS:

S. F. General:

- Net taxpayer costs, at \$106 per taxpayer, are four times the peer average
 - The high net cost is driven by two factors. First, we treat about twice as many patients per capita as other cities. Second, almost 1/2 our patients are uninsured, versus 25% for peer counties.

City & County of San Francisco
PER CAPITA HEALTH CARE COSTS VS NINE PEER COUNTIES
1990



Health & Hospitals - Findings, Continued

Mental Health:

- The prevalence of serious mental disorders is almost 1/3 higher per 1,000 residents in San Francisco than in peer counties. However, we serve twice as many people per 1,000 residents as peer counties.
- Even if we adjust for our mix of patients, mental health costs per patient appear to be 20% higher in San Francisco, due to the way we deliver mental health services. This costs local taxpayers an extra \$11 million per year.

CPHS:

- Outpatient clinics provide some similar services to SF General Outpatient Clinics, at roughly one-half the cost per patient of SF General.

Laguna Honda:

- None of the peer city/counties studied in California or elsewhere in the U. S. provide the same level of long-term care service offered by Laguna Honda.
- The nearest peer comparisons we could find were with private sector skilled nursing homes. A few other counties do operate smaller long-term care facilities.
- The operating costs per patient day at Laguna Honda appear to be substantially higher than in private sector facilities. However, the acuity level of Laguna Honda patients also appears to be more severe than for patients in private sector facilities.

Health & Hospitals - Policy Options

S.F. General

1. Increasing insurance reimbursements - through investing in information systems and staff to qualify more patients for government and private insurance coverage
2. Expanding the use of the enterprise concept, allowing SF General to keep and reinvest a portion of new revenue dollars created
3. Consider re-negotiating the University of California affiliation agreement to gain effective control over staff and services provided. Identify services provided by UCSF to patients who are the City's responsibility and negotiate appropriate staffing and reimbursement for these services.
4. Consider proposing a charter amendment to end the linkage of nurses' pay to the highest-paying employer in the six Bay Area counties.
5. Evaluate current nurse/patient ratios.
6. Investigate consolidation of some outpatient services into CPHS clinics.

Health & Hospitals - Policy Options (Continued)

Mental Health

7. Study delivery system changes that could bring costs per patient into line with peer counties.

8. Investigate clinic consolidation.

CPHS

9. Consider integrating AIDS programs into the CPHS system to reduce overhead and make available funds go further.

Laguna Honda

10. Consider pursuing all available options for maintaining federal waivers to continue using the present large wards.

11. Consider less costly alternatives than the proposed \$500 million capital program for Laguna Honda.

- Evaluate alternatives for financing needed improvements. If the proposed \$500 million bond issue is sold to rebuild Laguna Honda, annual debt service requirements could add \$41 million of additional costs per year to local taxpayers.

HEALTH

SUMMARY OF POLICY OPTIONS

a = approval needed

		FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)					ACTION REQUIRED						
REVENUE ENHANCEMENTS	SERVICE CUTS	EFFICIENCY	CHO PROCESS, SYSTEMS	OTHER	LABOR, MOU CHANGES	DEPT OR COMMISSION	MAJOR	BID OF SUPERVISORS	CHARTER CHANGE	STATE & FEDERAL	OTHER ACTION		
SF General:													
1. Increase insurance revenues using staff/info systems	10												
2. Renegotiate UC agreement to improve staff/service control		1					10						
3. Consolidate Outpatient Services into CPHS clinics			5			5	2	a					
4. End linkage of nurses' pay to highest pay in Bay Area					5		a	a					
Mental Health							10	a	a				
5. Change delivery system, bring costs/patient to peer level													
Laguna Honda													
6. Actively pursue continuation of federal waivers													
Note: If waivers are not continued, to replace Laguna Honda, estimated debt service costs would be \$41 million to service \$500 million in 6.6% bonds over 25 years													
32	10	10	6				6	27				5	

Social Services - Findings & Policy Options

- The net taxpayer cost of Social Services has been growing at 7% per year for the past four years, reaching \$ 119 million in 1991.
- General Assistance programs account for 60% of these costs; homeless programs for only 10%.
- General Assistance cases per capita are twice as high as in Los Angeles and three times the average large California City/County.
- Caseworkers in SF carry excessive caseloads and therefore appear to have less time to help their clients or detect fraud.

Policy Options:

1. Consider an investment in information systems and in caseworkers. It appears that such an investment could significantly reduce the growth in Social Service costs by helping ensure that only eligible clients receive aid.
 - Adding caseworkers to reduce caseloads would also provide more time to help eligible clients become enrolled in state and federal programs, reducing San Francisco's costs for General Assistance.
2. Consider merging of General Assistance and Food Stamp programs. Savings from such a step are estimated to be \$1 million per year.

SOCIAL SERVICES

SUMMARY OF POLICY OPTIONS

a = approval needed

Police - Findings

- The cost to taxpayers of police services was \$195 million in 1991, and is growing at the rate of about 3% annually.
- The 4-10 plan appears to be at least \$4 million more expensive than the prior 5 day, 8 hour shift plan, after considering the overtime costs and the numbers of officers on the streets.
- When compared to peer cities, San Francisco appears to have a very high number of police stations.
 - For example, we serve a 24-hour average of 1.1 million people, including commuters and tourists, with 9 stations in 46 square miles. The daytime population is 1.3 million; at night it's 900,000.
 - That's one station per 122,000 people and one for every five square miles.
 - San Jose serves almost 800,000 people and 158 square miles from one station.
 - Oakland serves about 350,000 people and fifty square miles per station.
- When the stations were originally built, police officers patrolled on foot. Now police patrol in vehicles which are radio-dispatched from a central location. Studies conducted by the SF Police department show the same levels of police protection on the streets could be provided with three stations. This would eliminate the need for 6 captains and 24 lieutenants. Total savings from closing six stations are thus estimated at \$6 million per year.
- San Francisco uses highly trained sworn officers, who are far more expensive, to perform many jobs which could be done by civilians.
 - Peer cities use far more civilian employees than we do. They average 33 civilians per 100 employees while we have only 20 civilians per 100 employees.

- The Senior Escort Service costs \$32 per trip for walking escorts, and \$178 per trip for driving escorts. Civilian City employees now provide such services.

Police - Policy Options:

1. **Explore cost effectiveness of alternative scheduling plans for police officers. Savings could exceed**

\$4 million.

2. **Consider privatizing the Senior Escort Service.** It appears the same services could be provided using private transportation services and social agencies, saving up to \$2 million per year.

3. **Consider using private sector janitorial and auto maintenance services, saving \$1.2 million/year.**

4. **Consider reducing the number of district police stations to three, and reducing the number of Captains and Lieutenants.** Estimates indicate potential saving of up to \$6 MM/yr.

4. **Consider requesting an outside study of the pros and cons of having the Parking Control officers brought back under Police Department management.** If this is proposed, possibly the other Parking & Traffic functions could be reassigned to departments under the Chief Administrative Officer.

5. **Evaluate an increase in the use of civilian employees.** It appears the department could save up to \$14 million if, through attrition or other steps, it shifted about 300 positions from uniformed to civilian employees, with an offsetting reduction in the number of uniformed employees. Alternatively, if the City chose to forego some of these cost savings, a higher civilian ratio would put more officers on the street.



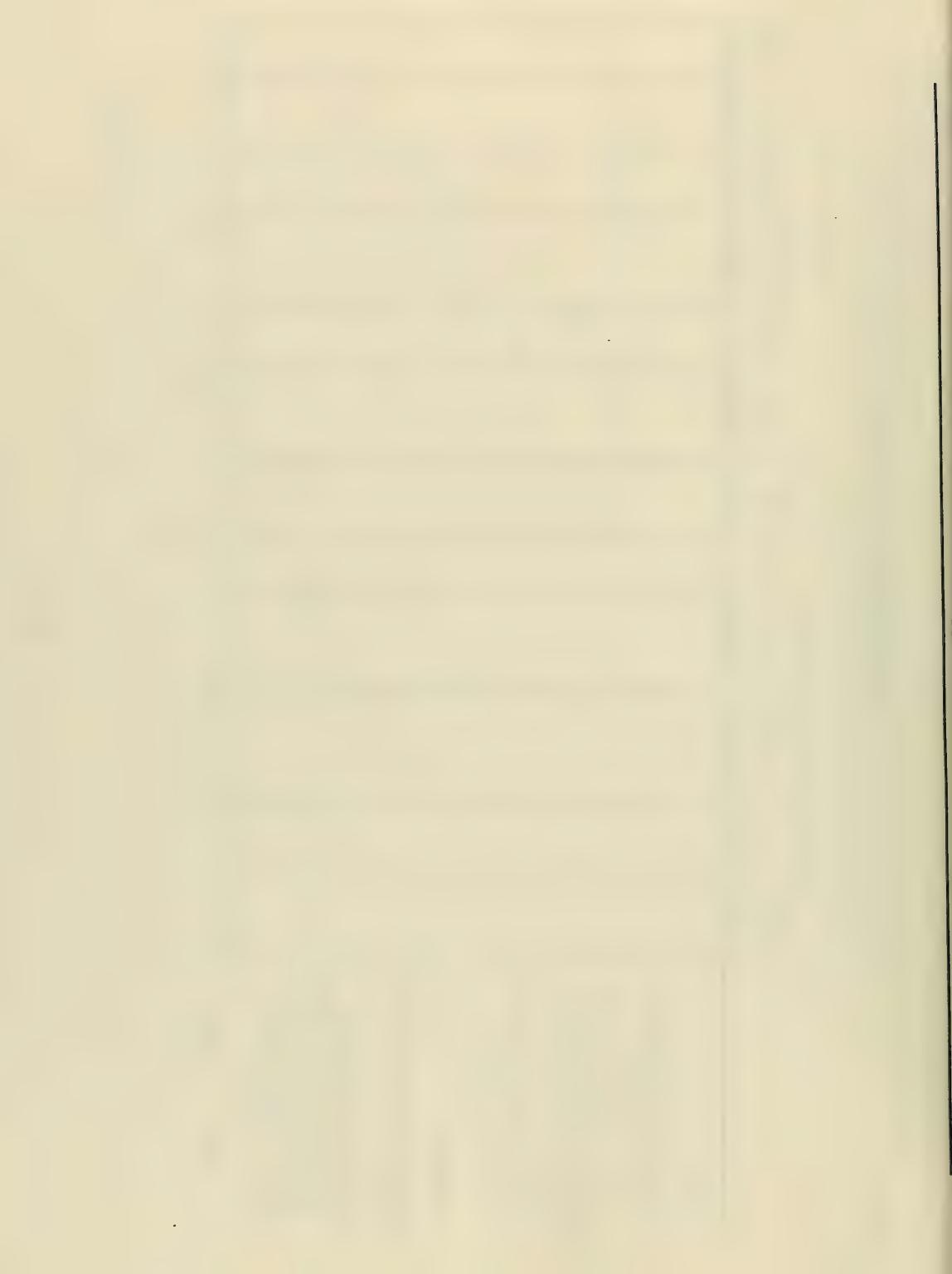
POLICE

SUMMARY OF POLICY OPTIONS

o = approval needed

	FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)					ACTION REQUIRED				
	REVENUE ENHANCEMENTS	SERVICE CUTS	EFFICIENCY	SYSTEMS INVESTMENT	OTHER	LABOR, MOU CHANGES	DEPT OR COMMISSION	MAJOR	STATE & FEDERAL ACTION	CHARTER CHANGE
Short Term										
A. Review 4-10 scheduling; revise overtime procedures			4				4	o		
B. Privatize Senior Escort Service		2		0.5			2	0.5		
C. Shift remaining parking complaints to Parking Department				1			1	o	o	
D. Utilize private sector janitor and maintenance contracts										
Long Term								14		
A. Increase use of civilians to peer city level										
B. Reduce number of district stations from nine to three, and eliminate 6 captain and 24 lieutenant positions used at the stations closed.							6			
TOTAL						2	25.5		21	0.5
										6

• City Attorney



Sheriff - Findings & Policy Options

- We staff at seven prisoners per deputy. This is comparable to peer counties. Jail overcrowding, however, remains a serious problem.
- Seventy percent of the prisoners in the county jail have not yet had a trial, reflecting delays in the court system.
- Dozens of other prisoners taking up jail cells are illegal aliens. Some law enforcement officials believe the City's Sanctuary Ordinance may not allow them to collect citizenship information for use by the INS. The INS would use such data to deport illegal aliens.
- San Francisco is now renting jail cells from Alameda County at an annual cost of \$4.6 million.

Policy Options:

- Evaluate use of a new computerized information system to replace the present court management system that appears to be obsolete.
 - Significant potential savings could result through improved and speedier management of court cases, reduced police overtime for testimony and improved cost recovery.
- Consider providing clarification to police and sheriff's officers on rules for collecting citizenship data from detainees.

Courts - Findings & Policy Options

- The court system is currently collecting only about **64%** of the parking and traffic fines imposed.
 - Boston, using a private collection firm, collects about 83% of its citation revenue. Many other large cities also use private collection firms successfully.
- Court-related activities are involved in about **35%** of police officer overtime.
- Court delays have contributed to the present overcrowding in the County jail, as noted above.
- The City pays a portion of the cost for the state's Superior Courts.

Policy Options:

1. Consider transferring the collection of traffic fines to a private firm specializing in providing such services to Cities.
 - Potential new revenues from improved collections are estimated at \$15 million/year.
2. Consider transferring the Superior Court costs to the state of California.
 - Such a transfer would save \$4 million/year.

COURTS

SUMMARY OF POLICY OPTIONS

a = approval needed

FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)

REVENUE ENHANCE- MENTS	SERVICE CUTS	EFFICIENCY			OTHER	LABOR, MOU CHANGES	ACTION REQUIRED			STATE & FEDERAL ACTION
		CHG PROCESS, ORGANIZATION	SYSTEMS INVESTMENT	DEPT OR COMMISSION			MAJOR ADVISORS	CHARTER CHANGE	STATE & FEDERAL ACTION	
Use private firm to collect fines	15						15	a		4
Transfer Superior Court costs to State of California			4							4
TOTAL							15			15

Public Works, PUC, Planning & Water - Findings

- Crafts workers automatically receive 10% more per hour than the prevailing flat hourly rates in the Bay Area for their craft, even though City workers have full-time, not seasonal employment.
- San Francisco has, by far, the largest Bureau of Architecture of any California city/county studied.
 - Staff has grown from 37 to 82 over the past five years.
 - The Civil Service salary schedule for architects appears to pay from 6% to 42% more than the private sector for architectural jobs sampled.
- City procedures also make it difficult for departments to contract out in a timely fashion.
- The Planning Department requires far more time to review Environmental Impact Reports than peer cities do. Some of the delay can be attributed to the intensive review levels requested by citizens.
- The Hetch Hetchy Water system currently faces expensive regulatory requirements for filtering its already pure water. The cost of a filtration system could exceed \$400 million. Annual debt service on bonds for this amount is estimated at \$33 million, of which San Francisco's share is estimated at \$11 million per year.

Public Works, PUC, Planning & Water - Policy Options:

1. Consider a charter amendment to revise the charter language which led to the automatic 10% excess in crafts wages. The potential saving is over \$5 million per year.
2. The Planning department could transfer more single-family plan review work to the Building Department.
 - This could free up salary funds that Planning could use to give more competitive service in reviewing EIR's. The Building department would also be able to charge fees to cover its costs.
3. The City could request an outside study to evaluate what types of architectural and engineering work could be done more economically by the private sector, including minority and female contractors, versus in-house.
4. Consider an active campaign with legislators to obtain appropriate relief from the filtration requirements for Hetch Hetchy.

PUBLIC WORKS, PUC,
PLANNING & WATER

SUMMARY OF POLICY OPTIONS

○ = approval needed

REVENUE ENHANCE- MENTS	SERVICE CUTS	FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)				ACTION REQUIRED				STATE & FEDERAL ACTION
		EFFICIENCY CHG PROCESS, ORGANIZATION	SYSTEMS INVESTMENT	OTHER	LABOR, MOU CHANGES	DEPT OR COMMISSION	MAJOR ADVISORS	BD OF SUP- CHARTER CHANGE		
1. Cut Operating Expenses					5		○	○	5	
A. Eliminate extra 10% over market pay rates now given to crafts workers						○	5	○		
B. Develop simpler procedures for contracting out small jobs.		5				1	○			
2. Increase revenues							1	○		
A Move more single family project approvals to Building Dept. speed processing, and have fees cover costs.							1	○		
B Expand fee structure for expedited processing; charge fees that cover costs of planning reviews							○			
3. Avoid future debt service							○			
A Lobby with state/federal govt to obtain relief on filtration requirements for Helich Helich's already clean water. Savings reflect City's share of debt service on \$400 Million of 25 year bonds at 6.6%.										
TOTAL		\$23	2		16		5	2	5	5

* Civil Service Comm, Human Rights Comm, City Attorney

Park & Recreation - Findings & Policy Options

- **Revenues cover 40¢ of every dollar of cost.**
 - After deducting revenues, net costs per capita are below the peer average for large U. S. cities.
- **Costs during the past five years rose at 3.8% - below the rate of inflation.**
 - However, labor costs are \$45,000 per full-time equivalent (FTE) employee versus an average of \$35,000 for 3 California peers.
- **A number of services are priced below market levels.**
 - Marina charges are only 67% of market. There's a five year waiting list for berths.
- **Some Park facilities and equipment are decaying and need major capital investment.**
- **The cost of library services is about \$30 per capita - same as the California average.**
- **The cost of museums is \$10 per capita versus a California average of \$8.**

Policy Options:

1. Rec and Park has a number of opportunities for increasing revenue. If the department is encouraged to pursue them, the added revenue could be as much as \$9 million a year.

PARK & RECREATION

SUMMARY OF POLICY OPTIONS

a = approval needed

FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)

REVENUE ENHANCE- MENTS	SERVICE CUTS	FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)			ACTION REQUIRED					
		EFFICIENCY	CHG PROCESS, ORGANIZATION	SYSTEMS INVESTMENT	OTHER	LABOR, MOU CHANGES	DEPT OR COMMISSION	MAJOR BID OF SUP- EVISORS	CHARTER CHANGE	STATE & FEDERAL
1. Raise Fees to Match Value										
A. Raise golf fees for preferred tee times.	0.6							0.6	a	a
B. Raise marina fees to market level	0.4							0.4	a	a
C. Charge \$2.00 zoo admission for children over 2 as Oakland does	0.2							0.2	a	a
D. Raise children's pool fee to \$.75	0.1							0.1	a	a
E. Charge fee for event rentals	0.1							0.1	a	a
2. Add new revenue sources										
A. Parking fees for special events	0.5							0.5	a	a
B. Increase usage of Kzar	0.4							0.4		
C. Increase advertising space at Candlestick	0.2							0.2		
D. Concession for tennis lessons	0.1							0.1	a	a
3. Consider major recreation attraction e.g. Seaworld, Driving Range, etc. on park land								1	a	a
4. Encourage development of group 'Friends of Rec/Park'								3	a	a
5. Cut staffing costs										
Use fewer gardeners, more helpers to reduce average cost to \$40K per FTE									2	2
TOTAL		\$8.6						6.6	a	a
								2	2	a
										8.6

Assessor, Treasurer, Tax Collector - Findings

- Current staffing levels and the lack of effective computer tools for appraisers and auditors are causing lost revenue.
 - Lack of personal computers and training is causing less effective financial analysis and lower assessments, particularly in disputed cases.
 - The department is finding it difficult to retain enough experienced appraisers.
 - The department is unable to perform and complete many of the audits needed.
- The lack of a property-based information system means that data on building permits is often missed in assessments.
 - The workload is large. The City has 165,000 parcels of real property and 55,000 organizations with personal property to assess. Data sharing among departments would help increase tax revenues.
 - The Assessor's current 21 year old system is unable to share data with other departments.
- Lack of personal computers and training in the Treasurer's and Tax Collector's departments hampers employee productivity.
- In the Tax Collector's operation, it appears likely that any further staff cuts would reduce the number of field audits. This could lead to revenue losses of up to \$2.6 million.

Assessor, Treasurer & Tax Collector - Policy Options

- 1. Consider giving the Assessor resources to develop a core of well-trained professionals, provide them with improved information systems support and good analytical tools.**
 - This would allow the Assessor to target high dollar value cases and win them.
 - With a new information system and personal computers, increased appraisals could be negotiated, producing added tax revenues of up to \$25 million per year.
 - This is a 5% increase in tax revenues on the present \$480 million base.
- 2. Consider giving the Assessor resources to develop a property-based information system to link the Assessor, the Tax Collector, the Bureau of Building Inspection and the Controller's ISD group.**
 - This system - and the linkages - appear to be needed to ensure that properties are not under-assessed, and to support the daily work of the Assessor's and Tax Collector's departments.
 - The City might benefit by putting a specific professional in charge of this project, not a committee.
 - Such a City-wide Property Management and Collection system appears to be urgently needed.
- 3. Consider streamlining and automating the work of assessing personal property.**
 - More training of auditors, increasing field audits and focusing on the higher dollar value cases.
 - Performing regular management audits of the process.
- 4. Consider providing more personal computers and training in analytical tools to employees in the Treasurer's and Tax Collector's departments.**
- 5. Consider treating the Tax Collection Division as a business operation, not just a cost center.**

Retirement System - Findings

- The Retirement system has been reducing pension costs as a percent of covered payroll.
 - Pension contributions of \$219 million in 1987 were 31.6% of payroll. Contributions of \$245 million in 1991 were 21.8% of payroll. This level still appears somewhat higher than peer cities, due to the high cost of San Francisco's old plans for police, fire and miscellaneous employees.
- The Retirement System's portfolio had a total return about 1% lower than other large public and corporate pension funds during the past five years.
 - The fund has had a low percentage of its assets in equities - ranging from 31% to 34% - and over 60% of its assets in fixed income securities during this period.
- To make its position clear on conditions in South Africa, the City has elected to invest its pension funds in companies that have no investments there.
 - It appears that this policy has resulted in a loss of 1% per year in the annual yield on equities versus market averages, as measured by the Standard & Poor 500 index. Assuming this trend continues, the future cost of this policy would be \$15 million per year.
- Worker's Compensation claims have risen to very high levels and so have the costs involved.
 - San Francisco's employees filed over 8,000 claims in 1991, one for every three employees.
 - The total cost of Workers Comp claims was \$36 million in 1991 and may reach \$40 million in 1993.
 - - A major cause of these costs is the City's inability to recruit experienced claims adjusters.
 - There is a shortage of such workers, and the City workloads are double those in the private sector.

Retirement System - Policy Options

- We support the Retirement System's proposed use of an outside expert for a study to recommend an updated asset allocation strategy.
- If the study recommends increasing equity levels, as we expect it may, the Retirement system could consider raising equity levels in stages without waiting for "ideal" market conditions.
 - The Retirement Board has been considering raising the equity level for some time, but may have been deterred by conditions in capital markets.
 - If the Retirement Plan improves the whole portfolio's total return to peer averages, this would mean a yield increase of eight tenths of 1% - an increase of over \$40 million per year.
- When political conditions in South Africa allow it, the City could consider revising its South Africa limitations on the pension fund. In the future, the City may wish to avoid political restrictions on pension investment decisions which affect pension yields.
 - The Retirement System could pursue important social goals through its existing policy of joining with other pension funds in actively exercising its shareholder rights.
- We support the proposed plan to bring in a private sector TPA (Third-Party Administrator) to manage about half the workload of workers' comp claims.
 - We estimate that net savings by the TPA would exceed \$4 million in the first full year of operation.
 - This should cut workloads for the City's claims adjusters to more normal levels, and also improve their control of claims expense. If this occurs, the savings would be larger.



ASSESSOR, TAX COLLECTOR, RETIREMENT SYSTEM

SUMMARY OF POLICY OPTIONS

a = approval needed

REVENUE ENHANCE- MENTS	FINANCIAL BENEFIT TO CITY (IN \$ MILLIONS)				ACTION REQUIRED	STATE & FEDERAL ACTION
	SERVICE CUTS	EFFICIENCY CHG PROCESS, ORGANIZATION	SYSTEMS INVESTMENT	OTHER		
Assessor			25		25	a
A. Develop a core of well-trained professionals. Target high value properties. Develop a property-based information system linked to tax collector, BBL & ISD. Assign a professional to 'take charge.'			3		3	
B. Streamline & automate work of assessing personal property.			2		2	a
Tax Collector					40	
A. Implement property-based Information system with Assessor to speed-up tax collection. Also, use PC's to automate dept.					4	a
Retirement System					40	
A. Increase fund yield .8% to peer levels over time by revising mix of investments used.					4	a
B. Hire third party administrator, (a TPA) to reduce excessive claims costs.					4	
TOTAL					40	74
					30	

City-Wide Issues: Planning & Productivity - Findings

- The City's operational planning process is limited in scope and lacks a multi-year focus.
 - The budget process is the only planning done in many departments.
 - The City tends to focus on cutting positions, while departments tend to "protect" existing operations.
 - This process appears to leave relatively little time for longer-term issues, such as:
 - Finding alternative service delivery methods
 - Investing to increase long-term productivity
 - Re-examining the need for and type of services provided
 - Public discussion of alternatives
- In some departments, planning is very limited, due to:
 - Lack of clear operating goals and priorities for departments, linked to City goals
 - Not studying the "customer's" view of services provided
 - Lack of productivity measures or workload data
 - Infrequent comparisons of service levels, staffing, productivity to other cities
 - Lack of mutual agreement between departments and individual managers on goals and priorities
- Individual managers are not encouraged to manage for increased productivity.
- San Francisco lacks an effective, City-wide position control system for planning and controlling personnel costs.

Planning & Productivity - Policy Options

1. Giving managers productivity tools and asking them to improve productivity by:

- Setting clearer goals for managers - possibly using Management-By-Objectives.
- Using new performance appraisal systems for managers and employees, stressing productivity.
- Revising Civil Service procedures to recognize higher levels of employee productivity in promotion decisions.
- Requiring data on workload, staffing and performance measures in budget submissions.
- Using new financial and operating reports to help managers track results.
- Allowing managers more flexibility to reallocate budget funds to meet program goals.

2. Requesting a study of the City's organization structure and possible alternatives.

- Review the opinions and needs of various stakeholder groups involved.
- Compare our structure to the organization structures of peer cities and counties.
- Study the feasibility, potential benefits and savings of reducing the number of commissions.
- Include consideration of a strong mayor plan and a City manager plan.
- The objective would be to find ways to make San Francisco's government more cost effective and more able to meet the needs of its residents.

3. Doing more long-range planning.

- Scheduling a less formal, long-term planning period each year to review long-term issues - possibly in the Fall.

- Encouraging departments to study peer cities. Such peer studies would examine alternative service levels and delivery methods and the staffing and cost results.
- Asking departments to evaluate how the need for specific services may have changed.

4. **Starting a new management-by-objectives program.** Each manager could be required to propose specific objectives for review and approval, on a semi-annual or annual basis. To keep the system flexible, allow managers to change the types of goals set and the performance measures used.

5. **Making it easier for departments to contract out where savings exist.** This would mean reducing the number of approvals needed for certain types of contracts or smaller contracts.

City-Wide Issues: Personnel Management - Findings

- The City's salary setting formulas lead to expensive, automatic, annual pay raises.
 - Crafts workers are paid 10% above prevailing flat hourly rates in the Bay Area due to an adverse court interpretation of unclear charter provisions. This increases salary costs by \$5 million per year.
 - Other City positions, such as architects, also appear to be paid more than prevailing Bay Area levels.
 - Current salary formulas cover only base pay. Benefits and premium pay are not covered.
- The City's Charter includes expensive special pay plans for some employee groups.
 - Pay for nurses is based on the highest-paying employer in the Bay Area, not the Bay Area average.
 - Pay for Muni drivers is based on the two highest-paying transit systems in the U. S.
 - "Pay Equity" pay will cost the City over \$35 million in 1992 and is based on questionable procedures.
- Premium pay appears to be excessive in some departments.
 - The City pays "word-processing" premiums totaling about \$500,000/year to clerical workers, even though word-processing equipment is now standard in most offices.
 - Uniformed police and fire employees receive the pay level of their supervisor each time they fill-in for their supervisor, even for just an hour or two. This practice has become standard in recent years.
 - There are now over 100 different pay premiums, adding over \$25 million/year to personnel costs.
- The City has over 2,000 job classifications for its 25,000 employees.
 - The large number of classifications leads to lengthy delays in preparing and giving exams.
 - As a result, departments fill many positions with temporary employees. This limits promotional opportunities for existing City employees.

- **Job performance is not a significant factor in determining an employee's eligibility for promotions.**
 - For nearly all employees, eligibility for promotion is based on exam scores, not job performance.
 - There are no incentives for employees with outstanding or superior performance.
 - Only for employees involved in disciplinary actions is performance considered.
- **The current performance evaluation system is not effective and is ignored by many departments.**
 - Many employees want to see job performance count in promotion decisions, but do not want to use the present system for this purpose.
- **The City now lacks basic workforce statistics needed for effective personnel management, control of personnel costs and labor negotiations.**
 - Obtaining such data as overtime costs, premiums, sick pay usage or full-time-equivalent (FTE) staffing by department often requires laborious manual processing.
 - The City's labor negotiators need rapid access to such personnel data for successful collective bargaining. Now, the employee organizations have much better City employee data than the City's labor negotiators.

City-Wide Issues: Personnel Management - Policy Options

1. Consider preparing a charter amendment to revise the unclear language on pay formulas for flat hourly rate classifications. If approved by the voters, this could save \$5 million annually.
2. Consider organizing a joint study with employee organizations of alternatives to the City's present salary formulas.
3. The City could strengthen its performance evaluation systems. A new system for managers has just been introduced. Next, an improved system could be developed for rank and file employees.
4. Consider supporting the installation of a personnel management data base. The City recently acquired Oracle software that includes a personnel management module with strong capabilities. However, added resources would be needed, starting in FY 1993, to install this software and its position control system. These tools can improve City-wide management of personnel costs and give needed support for the City's negotiators in collective bargaining.
5. Consider using a classification systems consultant to upgrade the City's classification system. The work would include developing an overall classification structure that would help the City cut the number of classifications from 2,000 down to 1,000.
6. Consider introducing employee "empowerment" programs for City workers. Many organizations are using such programs, which aim to increase efficiency and make employees' jobs more satisfying by creating interdepartmental groups to solve operating problems. Such groups would include employees at all levels who are familiar with the operation studied.

